

**MDOT Testimony for the Senate Economic Development Committee  
October 12, 2011 Meeting**

Good afternoon. I am Laura Mester, Chief Administrative Officer for the Michigan Department of Transportation (MDOT). I am here today to provide testimony regarding MDOT's transportation planning actions and processes.

First, it is our mission to provide the highest quality integrated transportation services for economic benefit and improved quality of life. We believe that we are aware of customer/stakeholder transportation wants and that we meet their needs by fostering partnerships to develop an innovative and integrated transportation system that is responsive to those needs. We continually get better by improving our products and processes. We are dedicated to excellence and quality, and we are an effective and efficient organization with an outstanding staff.

With that said, I offer the following to clarify some specific issues raised yesterday.

**Planning Process**

- A comment was made about MDOT's planning process. MDOT's planning process incorporates not only the federally mandated requirements through the Statewide Transportation Improvement Program (STIP) but also MDOT's additional requirements to increase public engagement through the 5-year plan. Overall program development process is identified annually in the 5-Year Transportation Program. The program identifies the needs, investment strategies, issues, and funding available to support the program. There are steps within the process where the public is encouraged to provide input and where MDOT provides feedback to the public throughout the year. This includes, but is not limited to, Project Identification and Project Selection. The 5-Year Transportation Plan can be found at: [www.michigan.gov/mdot5yearplan](http://www.michigan.gov/mdot5yearplan). In addition to the 5-Year Transportation Program, MDOT is involved in the Federal Transportation Planning Process as mandated by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA). This process also encourages public input and feedback. Taking into consideration public input that has been received, local, regional, metropolitan, and state agencies come together in a consensus forum to identify road, bridge and transit projects that will utilize Federal Aid. This process has been reviewed and approved by the FHWA and FTA. The public is notified, through the Metropolitan Planning Organization (MPO) within urbanized areas of the state and through the Rural Task Forces (RTF) within rural areas of the state, and encouraged to participate in this Transportation Planning Process.

### Matching Federal Funds

- A comment was made regarding the state's ability to match federal funds. The two reasons why we have trouble matching Federal Funds is because of declining State revenues and increasing debt service to finance past and current road work. The debt service paid for numerous road work over the past decade which allowed the department to achieve system condition goals. Advancing these projects resulted in jobs and supported economic development through an improved transportation system. Bonding was done to stimulate the economy with the expectation that the economic rebound would result in additional revenue so that increased debt service would not impair future capital program demands. However, state revenues have declined and by law, debt service is our first obligation for revenue collected.
- MDOT will receive approximately \$702 million, or 39%, of the \$1.8 billion Motor Fuel Taxes and Registration Fees projected to be collected in FY2012 for state-wide transportation needs. Of the funds received by MDOT, 70.1% goes towards the capital program and maintenance, and 22.7% goes towards debt service. The department has looked, and will continue to look, for ways to increase the amount of state funds allocated to the capital program and maintenance. The department does not control local projects and program decisions.

For the last several years the department has been innovative in identifying ways to match federal aid to finance its capital program. Since FY 2009, the department reduced non-capital expenditures by \$51 million by reducing staffing levels, delaying building projects and reducing road maintenance activities. The department has used build America bonds to reduce overall debt service cost. The department used design build finance construction techniques to access private sector financing. We have implemented an indirect cost rate. Also, we worked with the private sector to identify toll credits. All of these actions were ways to better leverage federal aid.

The department will match federal aid in FY 2012 by using several one-time fixes, including \$50 million in toll credits. However, we are faced with a systemic fiscal problem and are running out of one-time fixes.

#### NITC and the TIP Process

- The federal transportation planning process mandates a fiscally constrained Statewide Transportation Improvement Program (STIP); therefore the NITC project and Surface Transportation Program (STP) programmatic agreement projects that would be advanced statewide as a result of the Canadian monies are not part of the fiscally constrained STIP. However, the federal process allows for projects that may not have funding identified to be listed in the Illustrative Portion of the STIP. Currently the projects that would be funded if additional state funds became available for match are listed in this portion of the program. This is done to provide additional transparency to the process and opportunity for public input. If and when monies are identified to advance the projects through the full planning process they would be discussed through committees and added to the STIP and urbanized area fiscally constrained programs.

#### Surface Transportation Programmatic Match

- The STP programmatic match concept which will allow the department to leverage the financial impact of the NITC project to match federal aid in years to come. Federal regulations for most FHWA funding sources require non-federal match to receive the federal aid. The match requirement for most MDOT federal aid-eligible projects is approximately 20%. The non-federal share (match) for a project or program can come from private or public sources. Typically, federal and non-federal funding is identified and authorized on an individual project basis. However, federal regulations allow for program level authorization for a group of projects using federal Surface Transportation Program (STP) funds. The match requirement for the STP is approximately 20%. Program level authorization requires that an 80-20 funding ratio be maintained at the program level and FHWA will reimburse approximately 80% of program cost. The department has the flexibility to apply federal-reimbursed funds at different ratios for various projects within the program. This flexibility at the project level would effectively allow the department to fund some projects with only non-federal funds and others with 100% federal funds. The use of program level authorization does not increase the amount of federal aid available to MDOT, but does provide access to MDOT's unmatched federal funds.

In conclusion, all of these innovations take place in a planning process that is open, accountable, and most importantly, delivers good quality transportation to citizens and businesses in Michigan.